

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 17. POST EMPLOYMENT BENEFITS**

In 1989 City Council voted to establish three classes of post employment health care benefits to supplement the increasing health care burden for City retirees. The three classes are as follows: (a) City employees who are eligible to retire under the Virginia Retirement System and City Supplemental Pension plans who have attained age 55 with at least 5 years of service; (b) fire and police employees who are eligible to retire under the pension plan for fire and police who have attained age 50 with at least 20 years of service; and (c) fire and police employees who are eligible to retire under the retirement income plan for fire and police who have attained 20 years of service, regardless of age. In addition, spouses of deceased retirees are also eligible for benefits. Each fiscal year the City Council appropriates funds to pay for these health benefits. As of June 30, 2005, 556 retirees were both eligible and received benefits from all three classes of this plan. Eligibility is contingent upon the retiree providing proof of participation and payment to a health insurance plan. The City contributed on a "pay-as-you-go" basis at the rate of up to \$240.00 per month for each retiree, for a total annual contribution of \$1.6 million for fiscal year 2005.

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS**

**Primary Government**

The City participates in seven public employee retirement systems (PERS). One of these systems is handled by Virginia Retirement System (VRS), an agent multi-employer public retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia, and is, therefore, not reflected as a City pension trust fund. Of the remaining six, four are single-employer defined benefit systems (City Supplemental, Pension for Fire and Police, Firefighters and Police Officers Pension Plan-defined benefit component, and Firefighters and Police Officers Pension Plan-disability component), where a stated methodology for determining benefits is provided, and two are defined contribution plans (Firefighters and Police Officers Pension Plan-defined contribution component and Retirement Income for Sheriff and Emergency Technicians), where contribution requirements are not actuarially determined. All of these systems are included as part of the City's reporting entity and as such are reflected as Pension Trust Funds.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

	Combining Schedule of Net Assets						
	Employee Retirement Plans						Total
	Firefighter and Police Officers Pension Plan					Retirement Income for Sheriff and ERT	
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component		
<b>ASSETS</b>							
Investments, at Fair Value							
U.S. Government Obligations	\$ -	\$ -	\$ -	\$ -	\$ 4,095,742	\$ -	\$ 4,095,742
Mutual funds	35,327,253	-	13,799,117	73,694,712	-	7,399,696	130,220,778
Stocks	-	-	-	-	7,621,444	-	7,621,444
Guaranteed Investment Accounts	21,762,217	33,410,759	12,477,210	14,839,674	-	8,570,766	91,060,626
Domestic Corporate Bonds	-	-	-	-	844,760	-	844,760
Other Investments	-	-	-	-	775,773	-	775,773
Total Investments	\$ 57,089,470	\$ 33,410,759	\$ 26,276,327	\$ 88,534,386	\$ 13,337,719	\$ 15,970,462	\$ 234,619,123
Total Assets	\$ 57,089,470	\$ 33,410,759	\$ 26,276,327	\$ 88,534,386	\$ 13,337,719	\$ 15,970,462	\$ 234,619,123
<b>NET ASSETS</b>							
Held in Trust for Pension Benefits	\$ 57,089,470	\$ 33,410,759	\$ 26,276,327	\$ 88,534,386	\$ 13,337,719	\$ 15,970,462	\$ 234,619,123

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Combining Schedule of Changes in Fiduciary Net Assets						
	Employee Retirement Plans					
	Firefighter and Police Officers Pension Plan					Retirement Income for Sheriff and ERT
	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ 2,623,763	\$ 902,000	\$ -	\$ 5,297,649	\$ 628,813	\$ 1,350,284
Plan Members	2,071,053	5,421	-	1,928,858	133,790	-
Total Contributions	<u>\$ 4,694,816</u>	<u>\$ 907,421</u>	<u>\$ -</u>	<u>\$ 7,226,507</u>	<u>\$ 762,603</u>	<u>\$ 1,350,284</u>
Investment Income:						
Net Appreciation						
in Fair Value of Investments	\$ 2,691,375	\$ -	\$ 1,024,523	\$ 3,461,305	\$ 725,331	\$ 473,842
Interest	634,823	1,824,925	425,458	1,851,473	495,440	278,034
Total Investment Income	<u>\$ 3,326,198</u>	<u>\$ 1,824,925</u>	<u>\$ 1,449,981</u>	<u>\$ 5,312,778</u>	<u>\$ 1,220,771</u>	<u>\$ 751,876</u>
Less Investment Expense	84,003	-	-	309,940	-	-
Net Investment Income	<u>\$ 3,242,195</u>	<u>\$ 1,824,925</u>	<u>\$ 1,449,981</u>	<u>\$ 5,002,838</u>	<u>\$ 1,220,771</u>	<u>\$ 751,876</u>
Total Additions	<u>\$ 7,937,011</u>	<u>\$ 2,732,346</u>	<u>\$ 1,449,981</u>	<u>\$ 12,229,345</u>	<u>\$ 1,983,374</u>	<u>\$ 2,102,160</u>
<b>DEDUCTIONS</b>						
Benefits	\$ 647,452	\$ 4,623,094	\$ -	\$ 799,408	\$ 1,182,211	\$ -
Refunds of Contributions	1,501,222	-	2,268,487	1,429,095	-	565,639
Administrative Expenses	115,462	61,181	-	26,543	64,590	-
Total Deductions	<u>\$ 2,264,136</u>	<u>\$ 4,684,275</u>	<u>\$ 2,268,487</u>	<u>\$ 2,255,046</u>	<u>\$ 1,246,801</u>	<u>\$ 565,639</u>
Net Increase (Decrease)	<u>\$ 5,672,875</u>	<u>\$ (1,951,929)</u>	<u>\$ (818,506)</u>	<u>\$ 9,974,299</u>	<u>\$ 736,573</u>	<u>\$ 1,536,521</u>
Net Assets at Beginning of Year	<u>51,416,595</u>	<u>35,362,688</u>	<u>27,094,833</u>	<u>78,560,087</u>	<u>12,601,146</u>	<u>14,433,941</u>
Net Assets at End of Year	<u><u>\$ 57,089,470</u></u>	<u><u>\$ 33,410,759</u></u>	<u><u>\$ 26,276,327</u></u>	<u><u>\$ 88,534,386</u></u>	<u><u>\$ 13,337,719</u></u>	<u><u>\$ 15,970,462</u></u>

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The actuarial valuations for all the defined benefit pension plans are performed annually with the exception of VRS, which is performed biennially; however, an actuarial update is performed in the interim year. In the current valuation report, VRS used the same assumptions and methods as the prior year report. The number of active members shown includes those who have worked for the City at one time, but who are now active in another jurisdiction. Also the number of retirees includes those who retired from the City, as well as those who retired from another jurisdiction with service attributable to the City. The liability for the City's share of the benefits for those employees has been reflected in the pension liabilities and employer contribution rates. Financial statements and required supplementary information are presented in VRS comprehensive annual financial report, which can be obtained by writing to the Virginia Retirement System, Post Office Box 2500, Richmond, Virginia 23218.

In fiscal year 2005, the City changed some plan provisions for the City Supplemental pension plan. The retirement age for regular employees was changed to age 65 or 50 with 30 years of service. The retirement age for the Fire Marshals and the Sheriff's Deputies was changed to age 65 or 50 with 25 years of service. The employer contribution rates and benefit provisions for different groups of employees were increased (See description of benefits). Since the changes took effect late in the fiscal year the actuaries were not able to provide timely actuarial evaluations with full impact of those changes. Next year, as the actuaries get data for the whole year a complete actuarial information will be presented in the financial report.

There were no changes in actuarial assumptions, benefit provisions, or funding method for the Pension plan for Fire and Police or Firefighters and Police Officers Pension plan. The major provisions of all the defined benefit pension plans are listed in this disclosure.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The following schedules present a description of the plan provisions and membership information, actuarial assumptions, accounting and funding policies, and contribution requirements. Six-year schedules of funding progress and trend information for defined benefit pension plans are provided in Exhibit XVI.

**PLAN DESCRIPTION**

	(1) VRS	(2)	(3)	(4) Firefighters and Police Officers Pension Plan			(7)
	City	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income for Sheriff and ERT
Administrator	Commonwealth of Virginia	Prudential	Prudential	Prudential	Prudential	SunTrust	Prudential
Employees Covered	General Body	General Body	Fire and Police	Fire and Police	Fire and Police	Fire and Police	Sheriff/ERT
Authority for Plan Provisions and Contributions	State Statute	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance	City Ordinance
Plan Type	Agent Multi- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer	Single- Employer
	Defined Benefit	Defined Benefit	Defined Benefit	Defined Contribution	Defined Benefit	Defined Benefit	Defined Contribution
Stand Alone Financial Report	Yes	No	No	No	No	No	No
Actuarial Valuation Date	06/30/2004	7/01/2004	07/01/2004	Not applicable	7/01/2004	7/01/2004	Not applicable

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**MEMBERSHIP AND PLAN PROVISIONS**

As of:	6/04 (1) VRS	7/04 (2)	7/04 (3)	6/05 (4)	7/04 (5)	7/04 (6)	6/05 (7)
				Firefighters and Police Officers Pension Plan			
	City	City Supplemental Retirement	Pension for Fire and Police	Defined Contribution Component	Defined Benefit Component	Disability Component	Retirement Income For Sheriff And ERT
Active Participants	1,943	2,067	1	76	421	421	244
Retirees and Beneficiaries	549	123	169	-	80	80	-
Terminated Vested and Non-vested	381	608	-	111	10	10	11
<b>Normal Retirement Benefits:</b>							
Age	65 50 (30Yrs)	65 50 (30Yrs) 50 (25 Yrs)	60 50 (20Yrs)	60	55 Any age (25 Yrs)	55	60
Benefits Vesting Years	5	5	10	5	5	5	5
Disability and Death Benefits	Disability Death	Disability Death	Disability Death	Not applicable Death	Disability Death	Disability Not Applicable	Not Applicable Death
<b>SIGNIFICANT ACTUARIAL ASSUMPTIONS</b>							
Investment Earnings	8.0%	8.0%	8.0%	Not applicable	7.5%	7.5%	Not applicable
<b>Projected Salary Increases</b>							
<b>Attributable to:</b>							
Inflation	3.0%	3.0%	N/A	Not applicable	3.0%	3.0%	Not applicable
Seniority/Merit	1.25 – 3.10%	Up to 4%	N/A	Not applicable	Up to 5%	Up to 5%%	Not applicable
Projected Postretirement Increases	3.0%	None	3.0%	Not applicable	3.0%	3.0%	Not applicable
Actuarial Cost Method	Entry Age Normal Cost	Aggregate Actuarial Cost	Projected Unit Credit With Zero Normal Cost	Not applicable	Entry Age Normal Cost	Entry Age Normal Cost	Not applicable
Amortization Method	Level Percentage Open	Level Percentage Not applicable	Level dollar Closed	Not applicable	Level Percentage Closed	Level Percentage Closed	Not applicable
Open/Closed Remaining Amortization Period	6	15	15	Not applicable	25	14	Not applicable
Asset Valuation Method	Modified Market	Market Value	Book Value	Not applicable	Market Value	Market Value	Not applicable

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**FUNDING POLICY AND ANNUAL PENSION COST**

As of:	6/05 VRS	6/05	6/05	6/05	6/05	6/05	6/05
				Firefighters and Police Officers Pension Plan			
		City	Pension for	Defined	Defined	Disability	Retirement
		Supplemental	Fire and	Contribution	Benefit	Component	Income for
		Retirement	Police	Component	Component		Sheriff and
							ERT
	City						
PERCENTAGE OF COVERED PAYROLL CONTRIBUTED							
Employee %	5.00%	2.00%	8.0%	Not applicable	7.5%	0.50%	--
Employer %	1.50%	2.50%	\$902,000/Yr.	Not applicable	20.0%	2.35%	5.1%
		8.75%					11.35%
AMOUNT CONTRIBUTED							
Employee	\$ 4,857,153 *	\$ 2,071,053 *	\$ 5,421	\$ --	\$ 1,928,858	\$ 133,790	\$ -
Employer	1,386,592	2,623,763	902,000	--	5,297,649	628,813	1,350,284
Total Amount							
Contributed	<u>\$ 6,243,745</u>	<u>\$ 4,694,816</u>	<u>\$ 907,421</u>	<u>\$ --</u>	<u>\$ 7,226,507</u>	<u>\$ 762,603</u>	<u>\$ 1,350,284</u>

\* The City assumed the responsibility of payment of employees' share of contributions. Some of the administrative costs of all the pension plans are financed through investment earnings except Firefighters and Police Officers Pension Plan (Defined Benefit Component) and Sheriff /ERT plans, where the City assumes the cost.

The Contribution requirements for all pension plans (except VRS) are established and may be amended by City Ordinance. VRS requirements are established and may be amended by State statutes.

**COVERED PAYROLL**

Dollar Amount	\$ 92.4	\$ 103.5	\$ 0.1	--	\$ 26.5	\$ 26.5	\$ 13.0
	Million	Million	Million		Million	Million	Million
Legally Required							
Reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Long Term Contribution							
Contracts	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**INVESTMENT CONCENTRATIONS**

Investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent 5 percent or more of plan assets.

**Prudential General Account**

(Long Term)	*	38%	100%	47%	21%	-	54%
Prudential Mutual Fund	*	-	-	53%	79%	-	46%
State Street Global Russell							
3000	*	62%	-	-	-	-	-
Stocks						61%	
Bonds						6%	

\* Investment information not available on an individual jurisdiction basis.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Calculation of Net Pension Obligation (Asset)**

			Firefighters and Police Officers Pension Plan	
	City Supplemental Retirement	Pension Plan For Fire and Police	Defined Benefit Component	Disability Component
Actuarially Required Contribution	\$ 3,172,787	\$ 1,547,955	\$ 4,890,046	\$ 347,672
Interest on Net Pension Obligation	681,564	91,462	77,663	(13,311)
ARC Adjustment	(1,192,313)	(182,924)	(59,898)	15,581
Annual Pension Cost	\$ 2,662,038	\$ 1,456,493	\$ 4,907,811	\$ 349,942
Actual Deposit	(2,623,763)	(902,000)	(5,297,649)	(628,813)
Change in NPO	\$ 38,275	\$ 554,493	\$ (389,838)	\$ (278,871)
NPO/A Beginning of Year	8,519,553	1,143,278	1,035,505	(177,481)
NPO/A End of Year (6/30/05)	\$ 8,557,828	\$ 1,697,771	\$ 645,667	\$ (456,352)

**THREE-YEAR TREND INFORMATION**

		Actuarial Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)
Firefighters and Police Officers Pension Plan	City Supplemental Retirement	06/30/2003	\$ 2,986,280	31.22%	\$ 7,117,896
		06/30/2004	2,849,539	50.81%	8,519,553
		06/30/2005	2,662,038	98.56%	8,557,828
	Pension for Fire and Police	06/30/2003	\$ 979,247	92.11%	\$ 987,537
		06/30/2004	1,057,741	85.30%	1,143,278
		06/30/2005	1,456,493	61.93%	1,697,771
	Defined Benefit Component *	06/30/2004	\$ 2,633,733	60.68%	\$ 1,035,505
		06/30/2005	4,907,811	107.94%	645,667
	Disability Component *	06/30/2004	\$ 443,122	140.01%	\$ (177,481)
		06/30/2005	349,942	179.69%	(456,352)
	Virginia Retirement System	06/30/2003	\$ 626,701	100.00%	\$ -
		06/30/2004	667,108	100.00%	-
		06/30/2005	1,386,592	100.00%	-

\* Only two years' information was available for these plans. These tables will be expanded when information becomes available. Firefighters and Police Officers Pension defined benefit component commenced in FY04 and the disability component converted from a defined contribution to a defined benefit plan at that time. The City Supplemental plan uses an aggregate actuarial cost method that does not separately identify or amortize unfunded actuarial liabilities.



**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**DESCRIPTION OF BENEFITS:**

**VRS – City** - Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service. Employees who retire with a reduced benefit at age 55 with at least 5 years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. An optional reduced retirement benefit is available as early as age 50 with 10 years of credited service. In addition, retirees qualify for annual cost-of-living (COLA) increases on July 1 of the second calendar year after retirement. These benefit provisions and all other requirements are established and may be amended by State statutes.

**City Supplemental Retirement Plan**- Regular City employees who retire at or after age 65 or after age 50 with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to the sum of (1) and (2), increased by 50 percent, plus (3):

- (1) 1.625 percent of the participant's past service compensation up to \$100, plus 0.25 percent of the participant's past service compensation in excess of \$100, multiplied by number of years of credited service earned after July 31, 1960, but prior to August 1, 1970.
- (2) 1.625 percent of the participant's average earnings up to \$100, plus 0.25 percent of the participant's average earnings in excess of \$100, multiplied by the number of years of credited service earned after July 31, 1970, but prior to January 1 1988.
- (3) 0.80 percent of average earnings multiplied by credited service earned after December 31, 1987.

The Sheriff's Deputies, EMT and Fire Marshals are entitled to the sum of (1), (2) and (3):

- (1) 0.6 percent of average earnings multiplied by first five years of credited service.
- (2) 0.9 percent of average earnings multiplied by next ten years of credited service, and
- (3) 1.0 percent of average earnings multiplied by all years of credited service in excess of fifteen years.

Benefit provisions are established and may be amended by City Ordinance.

**Pension Plan for Fire Fighters and Police Officers** - Employees who retire on or after age 60 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of final average earnings multiplied by years of credited service, up to a maximum of 30 years. The plan also provides early retirement on or after age 50 with 20 years of credited service or on or after age 56 with 10 years of credited service. This plan further provides early retirement on or after age 50 with 10 years of service with actuarially reduced benefit. Benefit provisions are established and may be amended by City Ordinance.

**Firefighters and Police Officers Pension Plan - defined contribution component** - The employees are entitled to contributions made on their behalf after 100 percent vesting. Benefit provisions are established and may be amended by City Ordinance. This plan was closed to new members in FY 2004 and converted to a defined benefit plan. Employees in the plan at date of conversion could leave their contributions in the defined contribution component or purchase prior service with the assets associated with their contributions.

**Firefighters and Police Officers Pension Plan - defined benefit component** - The plan provisions were approved by City Council in FY 2004 and provide retirement benefits for covered employees who retire at age 55 with 5 years of service or any age with 25 years of service. The retirees are entitled to 2.5 % of the participant's average monthly compensation (AMC), multiplied by the years of credited service up to 20 years; plus 3.2 % of the participant's AMC, multiplied by years of credited service in excess of 20 years. The maximum benefit is 82% of the AMC. The plan also allows for early retirement at age 50 with 20 years of service with reduced benefits.

**CITY OF ALEXANDRIA, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Exhibit XII**  
**(Continued)**

**NOTE 18. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Firefighters and Police Officers Pension Plan - disability component** - The plan provisions provide disability benefits for Firefighters and Police Officers. The benefits for service-connected total and permanent disability are 70 percent of final average earnings, 66 2/3 percent for non-service connected total and permanent disability and service-connected partial disability, and 50 percent for non-service connected partial disability. Benefits provisions are established and may be amended by City Ordinance. Effective January 1, 2004 this plan was merged with the Firefighters and Police Officers Pension Plan. Separate actuarial calculations have been performed for the defined benefit and disability components.

**Retirement Income Plan for Deputy Sheriffs and Emergency Rescue Technicians** - This plan provides for benefits to be distributed in the case of termination, retirement, death, or disability to deputy sheriffs, fire marshals and emergency rescue technicians. Distribution options include cash distribution, annuities, or a combination of the two. Benefit provisions are established and may be amended by City Ordinance.

**NOTE 19. ACCOUNTING CHANGES** The City adopted GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section* and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* during the fiscal year ended June 30, 2005. There is no fiscal impact on the financial statements.